

ARUP

Arup North America Limited

Financial Statements and Reports

For the year ended 31 March 2021

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Strategic report

The directors present their strategic report for Arup North America Limited (the "Company") for the year ended 31 March 2021 which has been approved by the board of directors (the "Board").

The Company is an indirect subsidiary of Arup Group Limited (the "Arup Group").

Review of the business

These are the results for the Company for the financial year ended 31 March 2021. The results show a profit for the financial year of £4,000,002 (2020: £2,635,912). The net assets as at 31 March 2021 are £10,662,857 (2020: £7,624,066).

The performance and development of the Company is in line with the expectations of the directors, despite the disruption and uncertainties in the local market during the financial year. Although the size of the operation and business have decreased during the year, the confirmed work for the Company at the end of the year is consistent with the size and the diversity of the Company.

Risk management

Formal risk reporting and management is embedded within Arup Group's management bodies so that emerging risks can be identified, escalated and addressed as appropriate.

Further details are provided within the 'Opportunities and risks' section within the Arup Group governance report on Arup.com.

The principal area of risk and operating uncertainty for the Company is its ability to continue to secure new projects and deliver the performance of existing projects in line with management's objectives. To monitor these, the directors use the following key performance indicators ("KPIs"):

- Revenue and profit per person are financial KPIs used to monitor the continued contribution to the Company. In calculating profit per person, profit is stated before income tax, dividends and staff bonus. For the year ended 31 March 2021, revenue per person was £269,009 (2020: £255,334) and profit per person was £4,668 (2020: £20,342).
- Staff turnover is a key non-financial measure of the Company's performance. For the year ended 31 March 2021, staff turnover was 25.7% (2020: 14.0%). The increase in staff turnover was because of the transfer of majority of the staff to Arup US, Inc., further details are provided below within Section 172(1) Statement.

The ability to continue to secure new projects, particularly in light of the ongoing impacts of COVID-19 and geo-political tensions, is a key risk going forward. There are uncertainties as to the volume of new work that can be secured as well as in relation to the continuation of existing projects, and new trade barriers may increase the challenges of international trade and mobility of members. The situation continues to be monitored closely and actions taken as needed to balance costs, staffing and revenue. Current workload is remaining broadly steady, and the directors expect the Company to remain resilient for the foreseeable future.

The Arup Group undertook a further review of current and emerging risk themes. Risk themes prioritised for close attention and management include climate change, geopolitical influences and service delivery. An Arup Group Risk Management Framework has been developed and will be implemented and cascaded down to the subsidiaries as applicable.

Section 172(1) statement

Arup Group's strong culture is values driven and these values are derived from the beliefs and convictions of our founder, Ove Arup, which were identified in his Key Speech in 1970. The Key Speech still guides us to this day and is required reading for everyone joining Arup Group. We believe our aims and values identified in the Key Speech align with S.172 of the Companies Act 2006. For more information on the Key Speech please refer to Arup.com.

The Board consider collectively and individually that they have made decisions during the financial year to 31 March 2021 that they consider would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, having regard to the matters set out in S.172 (1) (a) to (f).

The Board, via a delegated authority policy, delegates the day to day authority to a Management Team who make the operational decisions and engage with their employees and key stakeholders on behalf of the Board. Members of the Board are part of the Management Team. The Board receives operational reports from the Management Team twice a year and compliance updates from business functions. Matters reserved for the Board are in place.

The principal decision and considerations made by the Board during the financial year included the transfer of majority of the members to Arup US, Inc. (sister entity) as of 1 January, 2021. These changes to the Company were part of a wider legal corporate reorganisation across the Americas Region to simplify the corporate structure and improve efficiency, particularly in respect to meeting licensure compliance required to operate within the Americas Region. The Company's members were notified by the Chair of the Americas Region that the change to employing company would have no impact to their terms of employment or entitlements to benefits.

Employee and other stakeholder engagement

Our commitment to shaping a better world shapes the choices that we make at all levels in Arup Group: in the work that we do and the way that we do it; in our investment into our membership; in the quality of our relationships with clients and collaborators; and in the decisions of all the bodies tasked with managing the Arup Group.

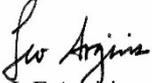
As detailed above, the Board delegates the day to day operational management within the Company to a Management Team who have overall responsibility for business operations and performance, the delivery of operating plans, the success and wellbeing of members and delivering value and a high quality of service to clients. The Management Team share the commitment outlined above and adherence to Arup Group policies that have been adopted by the Company. The Management Team reports to the Board at board meetings twice a year on performance and key business decisions that have been taken in relation to the Company's stakeholders.

Details of the Company's key stakeholders, how they have been engaged with during the year and how the key stakeholders' interests have been taken into account are given below.

Stakeholder	Who are they?	Why are they important to us?	Board engagement
Members	Everyone employed by the Company.	Maintaining a highly skilled workforce is key to the future of the Company and the Group. We aim to keep our workforce fully engaged to attract and retain the best people.	<ul style="list-style-type: none"> • A 'Working at Arup' survey is conducted every three years with the purpose to measure members' levels of satisfaction and engagement • A Bi-annual Arup Performance Report is sent to all members with regular events, online meetings and news which keeps our members informed of the business • Monthly newsletters are emailed to all members with leadership updates, including people matters, health and safety updates and the Company's financial performance. Employees are encouraged to share their stories in this newsletter that they would like the business to hear • A USD300 qualifying home workstation equipment reimbursement was available to all members • Our members are encouraged to raise any matters of concern with the Region Ethics Champion, Group Ethics Director, Group Legal Director or email to the ethics mailbox • Members were notified by email by the Chair of the Americas Region on the change to their employing company following the principal decision to transfer members to Arup US, Inc. No action was required by members, the transfer did not impact their terms of employment, years of service they had with the Company or entitlement to benefits. A Frequently Asked Questions document was made available for any further questions
Clients	Everyone who contracts the Company's services; public and private sector.	They provide the opportunities to use our skills to deliver solutions they will value.	<ul style="list-style-type: none"> • Professional engagement on projects by attending important client meetings, obtaining feedback and carrying out project reviews as necessary • Issues of concern raised by clients are escalated to the Chair or Chief Operating Officer of the Region who ensure that matters are satisfactorily closed out including personal involvement as necessary • The directors regularly attend industry events and host seminars and workshops to share their experience and skills • In order to support our clients through COVID-19, webinars were organised to share knowledge and insights relating to reshaping business strategy for the post COVID-19 world

Collaborators and Suppliers	Everyone we have a direct working relationship with including joint-venture partners, suppliers and industry organisations.	To deliver excellence, we recognise that we may need to supplement capacity or introduce niche expertise.	<ul style="list-style-type: none"> • Board members hold senior positions in industry organisations • Where the Company engages sub-consultants, and suppliers of services and equipment to our offices, we seek to agree contractual terms which require compliance with Modern Slavery and Human Trafficking legislation • We aim to treat our suppliers fairly and with respect, and to pay for services promptly in line with reasonable contractual terms
Society	Those who are impacted or influenced by our work including end-users, communities local to our projects, charities, and future members of Arup Group.	Our vision to shape a better world is all encompassing; social usefulness and sustainable development are key outcomes.	<ul style="list-style-type: none"> • The Arup Group as a whole has committed to net-zero carbon emissions by 2030. The Company is already working with government, infrastructure, property and corporate clients to help them set and achieve significant reductions in their carbon emissions • The Company has partnerships with influencers The US Green Building Council, Partnership for New York, Ellen MacArthur Foundation's Network and the Board engages with government and regulators to influence policy forming processes by submitting responses and opinions • Community Engagement Programme - the Board has a Community Engagement Committee which manages community projects. During this financial year, the focus was on diversity and inclusion, underserved communities and education • The Company's tax strategy aligns with being an ethical corporate citizen and we pay the right amount of tax when it becomes payable

On behalf of the Board



L E Argiris

Director

20 October 2021

Registered office: 8 Fitzroy Street, London, W1T 4BJ, United Kingdom

Directors' report

The directors present their directors' report together with the audited financial statements for Arup North America Limited (the "Company") for the year ended 31 March 2021 which were approved by the board of directors (the "Board").

The Company is an indirect subsidiary of Arup Group Limited (the "Arup Group").

The directors confirm that to the best of their knowledge the Financial Statements and Reports, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Principal activities

The Company practices in the field of design and consulting engineering services, in architecture and in other related professional skills, principally in the United States of America.

Branches

The Company has a registered branch in the United States of America.

General information

The Company is a private limited company registered in England and Wales under company number 2094896 at registered address 8 Fitzroy Street, London, W1T 4BJ, United Kingdom. The registered address was changed from 13 Fitzroy Street, London, W1T 4BQ, United Kingdom on 30 April 2021. The Company's parent company is Arup Americas Inc. registered in New York, United States of America under company number 20-2947258 and the Company's ultimate parent company is Arup Group Limited registered in England and Wales under company number 1312454.

Future developments

Following a legal corporate reorganisation across the Americas Region to simplify the corporate structure, future operations of the Company will be via Arup US, Inc. a sister entity operating within the Arup Group, the Company however will continue to service its existing projects to deliver its obligations by using resources from other entities in the Arup Group.

For the year ended 31 March 2021, the Company was not materially impacted by the COVID-19 pandemic. Actions taken by the Arup Group to preserve cash and reduce operational costs owing to the uncertain impact on the business and to build in future resilience have resulted in a robust financial position at the year end. At the time of signing the financial statements, the pipeline of work is being proactively monitored.

Dividends

The directors have on 15 October 2021 declared a dividend payment of £4,000,000 for the financial year ended 31 March 2021 (2020: nil). No dividend was paid in the year to 31 March 2021 (2020: a dividend of £12,000,000 was paid).

Directors

The directors of the Company during the year and up to the date of signing these financial statements were as follows:

L E Argiris
P A Coughlan
A S Howard
J R Quiter (Resigned 14 December 2020)

Directors' remuneration

Directors' remuneration has been disclosed in note 5 to the financial statements.

Only directors employed by the Company receive remuneration from the Company.

Directors' indemnities

As permitted by the Company's Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The Arup Group also purchased and maintained throughout the financial year Directors' and Officers' Liability Insurance in respect of itself, its directors and officers.

Independent auditors

The Company's independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office for another financial year.

Financial risk management

The Company's financial assets and liabilities comprise cash at bank, trade and other receivables and trade and other payables, the main purpose of which is to maintain adequate finance for the Company's operations. The Company is exposed to a number of financial risks and actively mitigates the risk of financial loss. The key aspects are:

- Foreign exchange risk: where possible the Company matches its currency earnings with currency costs. Where this is not possible, appropriate derivative contracts may be used. There is no speculative use of financial instruments;
- Interest rate risk: the Company currently does not hedge interest rate risk, however the need to do so is regularly reviewed;
- Credit risk: the main exposure to credit risk is on amounts due from customers. Controls and procedures are in place to mitigate this risk; and
- Liquidity risk: cash flow forecasts are prepared to ensure that sufficient funds are available to meet the Company's liabilities as and when they fall due.

Note 1 in the notes to the financial statements provides further information on accounting for exchange rate differences.

Going concern

These financial statements have been prepared on the going concern basis. Note 1 in the notes to the financial statements provides further information.

Employees

The maintenance of a diverse and highly skilled workforce is key to the future of the Arup Group. Health, safety and wellbeing matters are regularly reviewed by the directors in accordance with the Arup Group's Health, Safety and Wellbeing policy via a number of associated policies, procedures and roles to enable all parts of the Arup Group to comply with that policy and to fulfil all relevant statutory duties and other legal requirements.

Arup Group policies are in place to ensure that:

- full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
- when existing employees become disabled (whether from illness or accident) every reasonable effort is made to continue to provide suitable employment either in the same, or by training, in an alternative job; and
- disabled persons are given equal consideration for training, career development and opportunities for promotion within the Arup Group.

Arup Group's commitments to diversity and inclusion, and health, safety and wellbeing are detailed in the Arup Group governance report on Arup.com.

The Arup Group communicates actively with its employees who are encouraged to express their views on major policy issues. 'Working at Arup' surveys are conducted to obtain feedback from employees. This survey is confidential and is used alongside consultation with employees where appropriate.

Twice a year, employees are provided with an internal Arup Group performance report containing financial information. Employees are informed of significant business issues via the use of email, discussions with senior management, the Arup Group's intranet and in-house publications.

Employee involvement in the Arup Group's performance is encouraged and maintained via participation in a bonus plan.

Stakeholder engagement is further detailed in the strategic report, and Arup Group's engagement with employees and other stakeholder relationships is further detailed in the Arup Group governance report on Arup.com.

Carbon emissions

In October 2019 the Arup Group committed to be a net zero carbon organisation by 2030, for which we need to reduce absolute scope 1 and 2 Greenhouse Gas ("GHG") emissions by 30% by 2025 from a 2018 base year. The Arup Group has also committed to reduce absolute scope 3 GHG emissions by 30% by 2025 from a 2018 base year. The Arup Group Net Zero GHG Emissions Statement is publicly available under the policies section on Arup.com.

Governance

Arup Group applies their own corporate governance framework, that is based upon the same principles of good governance and long-term sustainable success as those reflected in the UK Corporate Governance Code 2018. For further details, please refer to the Arup Group's governance report on Arup.com. As a subsidiary operating within the Arup Group, the Company adopts and applies the Arup Group's corporate governance framework to ensure that Arup Group's values, policies and processes are adhered to, and our members and businesses act in a clear, accountable and consistent manner.

Statement of directors' responsibilities

The directors are responsible for preparing the 'Financial Statements and Reports' in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors have prepared the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company's financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that; are sufficient to show and explain the transactions of the Company; and disclose with reasonable accuracy at any time the financial position of the Company; and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



L E Argiris

Director

20 October 2021

Registered office: 8 Fitzroy Street, London, W1T 4BJ, United Kingdom

Independent auditors' report to the members of Arup North America Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arup North America Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements and Reports (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2021; the Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to

conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Companies Act 2006, US tax legislations and US employment legislations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate results and potential management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Gaining an understanding of the legal and regulatory framework applicable to the company and considering the risk of non-compliance by the company;
- Holding discussions with management, covering its consideration of known or suspected instances of non-compliance with laws and regulation that could give rise to a material misstatement;
- Addressing the risk of management override of controls through the testing of journals which met specific risk criteria, and evaluating whether there was evidence of management bias throughout our audit procedures; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Sturges (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 October 2021

Income statement

For the year ended 31 March 2021

	Note	2021 £	2020 £
Revenue	3	138,270,528	174,648,687
Other income		611,011	332,355
Employee benefit expense	4	(50,978,309)	(77,433,486)
Charges from sub-consultants and other direct project expenses		(41,137,538)	(35,088,747)
Depreciation and amortisation expense	9, 10 & 13	(2,604,309)	(3,130,940)
Accommodation		(173,255)	(665,192)
Communications and other overheads		(44,364,399)	(51,017,041)
		<u>(139,257,810)</u>	<u>(167,335,406)</u>
Operating (loss) / profit	6	(376,271)	7,645,636
Finance costs	7	(93)	(43,358)
(Loss) / profit before income tax		<u>(376,364)</u>	<u>7,602,278</u>
Income tax credit / (charge)	8	4,376,366	(4,966,366)
Profit for the financial year		<u>4,000,002</u>	<u>2,635,912</u>

All activities of the Company are derived from continuing operations in both the current and prior years.

The above income statement should be read in conjunction with the accompanying notes.

Statement of comprehensive income

For the year ended 31 March 2021

	2021	2020
	£	£
Profit for the financial year	4,000,002	2,635,912
Other comprehensive (expense) / income		
Items that may be reclassified subsequently to profit or loss		
Currency translation (losses) / gains	<u>(961,211)</u>	<u>970,361</u>
Other comprehensive (expense) / income for the year, net of tax	(961,211)	970,361
Total comprehensive income for the year	<u>3,038,791</u>	<u>3,606,273</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Registration number: 2094896

Balance sheet

As at 31 March 2021

	Note	31 March 2021 £	31 March 2020 £
Assets			
Non-current assets			
Property, plant and equipment	9	1,736,646	3,299,761
Right-of-use assets	13	-	1,128,820
Intangible assets	10	38,320	74,695
Deferred income tax assets	14	1,700,908	2,637,723
		<u>3,475,874</u>	<u>7,140,999</u>
Current assets			
Trade and other receivables	11	43,929,704	58,280,255
		<u>43,929,704</u>	<u>58,280,255</u>
Total assets		<u>47,405,578</u>	<u>65,421,254</u>
Liabilities			
Current liabilities			
Trade and other payables	12	35,491,407	52,149,590
		<u>35,491,407</u>	<u>52,149,590</u>
Non-current liabilities			
Deferred income tax liabilities	14	120,443	5,647,598
Other non-current liabilities		1,130,871	-
		<u>1,251,314</u>	<u>5,647,598</u>
Total liabilities		<u>36,742,721</u>	<u>57,797,188</u>
Net assets		<u>10,662,857</u>	<u>7,624,066</u>

	Note	31 March 2021 £	31 March 2020 £
Equity			
Share capital	15	1,000,000	1,000,000
Retained earnings		9,662,857	6,624,066
Total equity		<u>10,662,857</u>	<u>7,624,066</u>

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 10 to 29 were approved and authorised for issue by the board of directors and signed on its behalf by:



L E Argiris

Director

20 October 2021

Statement of changes in equity

For the year ended 31 March 2021

	Share capital	Retained earnings	Total equity
	£	£	£
Balance as at 1 April 2019	<u>1,000,000</u>	<u>15,017,793</u>	<u>16,017,793</u>
Profit for the financial year	-	2,635,912	2,635,912
Currency translation gains	-	970,361	970,361
Other comprehensive income for the year	<u>-</u>	<u>970,361</u>	<u>970,361</u>
Total comprehensive income for the year	<u>-</u>	<u>3,606,273</u>	<u>3,606,273</u>
Dividends	-	(12,000,000)	(12,000,000)
Total transactions with owners, recognised directly in equity	<u>-</u>	<u>(12,000,000)</u>	<u>(12,000,000)</u>
Balance as at 31 March 2020	<u>1,000,000</u>	<u>6,624,066</u>	<u>7,624,066</u>
Profit for the financial year	-	4,000,002	4,000,002
Currency translation losses	-	(961,211)	(961,211)
Other comprehensive expense for the year	<u>-</u>	<u>(961,211)</u>	<u>(961,211)</u>
Total comprehensive income for the year	<u>-</u>	<u>3,038,791</u>	<u>3,038,791</u>
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31 March 2021	<u>1,000,000</u>	<u>9,662,857</u>	<u>10,662,857</u>

Notes to the financial statements

For the year ended 31 March 2021

1 Basis of preparation

Arup North America Limited is a private limited company which is incorporated in England and Wales. The address of the registered office is 8 Fitzroy Street, London, W1T 4BJ, United Kingdom.

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with FRS 101 and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Arup Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the financial statements are disclosed in note 2.

The following exemptions from the requirements of International Financial Reporting Standards ("IFRS or IFRSs") have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- Paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- The requirements of paragraph 52, paragraph 58, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- Paragraph 38 of International Accounting Standard ("IAS") 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
 - 79(a)(iv) of IAS 1, 'Presentation of Financial Statements' (reconciliation of the number of shares outstanding at the beginning and end of the period);
 - 73(e) of IAS 16, 'Property, Plant and Equipment' (reconciliation of the carrying amount at the beginning and end of the period);
 - 118(e) of IAS 38, 'Intangible Assets' (reconciliation of the carrying amount at the beginning and end of the period); and
 - 76 and 79(d) of IAS 40, 'Investment Property' (reconciliation of the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1:
 - 10(d) (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with IFRSs);
 - 38A (requirement for minimum of two primary statements including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third statement of financial position);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- IAS 24 (disclosure of related party transactions entered into between two or more members of a group providing that the parties are wholly owned by the group).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have obtained assurance of financial support from Arup Americas Inc. and other relevant entities within the Arup Group, for a period of at least 12 months from the date of approving the financial statements. Management of Arup Group have performed analysis on future projections of financial performance and cashflow and are satisfied that Arup Group has sufficient financial resources to provide assurances of financial support for the Company. As such, the Company's financial statements have been prepared on the going concern basis.

Changes in accounting policies and disclosures

New standards, amendments and interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the Company.

New standards, amendments and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 31 March 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

Foreign currency translation

Functional and presentation currency

The Company's functional currency is the US dollar. The financial statements are presented in pound sterling (£), which is the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Impairment of non-financial assets

At each balance sheet date, the Company assesses whether there is objective evidence that an asset or group of assets is impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use.

Financial assets

Classification

The Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through profit or loss ("FVPL");
- those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in communications and other overheads together with foreign exchange gains and losses and impairment losses.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The Company applies the simplified approach for IFRS 9, 'Financial Instruments' when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on payment profiles of sales over a period of 36 months for the three preceding financial years (excluding the current financial year) and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on the customers' ability to settle the receivables.

Comparative balances

Comparative balances have been reclassified by management to conform to the financial statement presentation adopted in the current year.

2 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not, by definition, equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Contract accounting (estimates and judgements)

The Company's revenue accounting policy (note 3) is central to how the Company values the work it has carried out in each financial year. This policy requires forecasts to be made on the current percentage complete and the projected outcomes of projects. The key estimates and judgements relating to determining the revenue and profitability of projects within the Company's financial statements are:

- Percentage completion: usually calculated by taking actual salary expense incurred as a percentage of forecasted salary expense. Estimation required in determining the forecasted salary expense;
- Profitability of a project: project teams use their judgement to estimate the costs to complete a project. These include an assessment of the need for additional contingencies to cover potential unknown expenses;
- Modifications: where a modification to a contract occurs, judgement is made on whether the modification is distinct, or intrinsically connected to the original contract. Where it is not distinct, the original project is reforecasted for the additional income and costs to complete; and
- Pain / gain share: where the Company engages with another joint operator to provide a service to a client, there are additional risks regarding work outside of the Company's direct control. Project teams use their judgement, to estimate their share of any pain / gain and include this in their cost to complete forecasts.

While the estimates made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reported result.

Projects may contain contingencies in their accounting estimates. These contingencies are for potential additional costs that may be required to complete the project. Such costs are only included when they are deemed more likely than not. Management have reviewed ongoing projects as at 31 March 2021 and are satisfied that it is reasonable to include these contingencies. Based on the information available as at 31 March 2021, management does not consider there to be any significant risks of material change to the estimates that feed into contract accounting within the next financial year.

Forecasted income represents income that has been agreed with the client. Fee from modifications are only recognised once it has been agreed with the client.

Measuring the outcome of the performance obligations can take time due to the multi-year lifespan of the Company's contracts. Assuming the project is forecasted to make a profit, the Company recognises revenue only to the extent of the costs incurred until the project reaches 50% complete on a standard risk project and 95% on a high risk project. Management have reviewed projects across the Arup Group and have used their judgement to establish these percentages. Once a non-onerous project reaches 50% / 95% complete, profit is recognised in line with its percentage completion.

Impairment of trade receivables and contract assets (estimates and judgements)

The Company makes an estimate of the recoverable value of trade receivables and contract assets. When assessing impairment, management considers factors including the credit rating of the receivables, the ageing profile of receivables and historical experience. The Company applies the simplified approach for IFRS 9 when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 11 for the net carrying amount of the receivables and associated impairment provision.

Due to the nature of the Company, it has significant receivables due from Arup Group undertakings. When assessing impairment, management have considered inter-group agreements and historical experience. As a result of this the expected credit loss is deemed to be immaterial.

Lease accounting (judgements)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In light of the impact COVID-19 has had on Arup employees working from home, where a lease has the option to extend management have made the judgement that it will not be extended unless there is evidence otherwise.

3 Revenue

The Company practices in the field of design and consulting engineering services, in architecture and in other related professional skills, principally in the United States of America.

Revenue represents the value of work performed on contracts in the year. For contracts on which revenue exceeds fees rendered, the excess is included as contract assets within trade and other receivables. For contracts on which fees rendered exceed revenue, the excess is included as contract liabilities within trade and other payables. The value of long term contracts is based on recoverable costs plus attributable profit. Cost is defined as staff costs and related overheads plus project expenses.

As projects reach stages where it is considered that their outcome can be reasonably foreseen, proportions of the expected total profit are brought into the financial statements. Provision is made for all known and anticipated losses.

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £21,171,298 (2020: £24,869,756). The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £101,219,771 (2020: £120,835,492).

	2021	2020
	£	£
Revenue by destination		
Americas	124,527,506	157,675,279
Middle East & Africa	8,064,505	7,691,797
United Kingdom	2,816,268	5,100,557
Asia	2,008,368	3,101,685
Europe	551,431	486,657
Australasia	302,450	592,712
	<u>138,270,528</u>	<u>174,648,687</u>

4 Employee benefit expense

	2021	2020
	£	£
Wages and salaries	37,911,078	59,236,496
Staff bonus	2,775,693	6,311,687
Social security costs	2,758,727	4,315,137
Pension contributions	3,281,665	5,022,161
Redundancy costs	2,907,289	651,497
Other staff costs	1,343,857	1,896,508
	<u>50,978,309</u>	<u>77,433,486</u>

Average monthly number of people employed	2021	2020
	Number	Number
Engineering and technical staff	470	569
Administrative staff	44	115
	<u>514</u>	<u>684</u>

Staff bonus

The Company recognises a liability and an expense for staff bonus, based on a formula that takes into consideration the employee's salary, length of service and grade.

Pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory contractual or voluntary basis. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

5 Directors' remuneration

The directors' remunerations were as follows:

	2021	2020
	£	£
Aggregate remuneration	1,005,177	1,132,026
Aggregate contributions paid to defined contribution schemes	<u>57,815</u>	<u>73,623</u>
Highest paid director:	£	£
Remuneration	553,124	688,094
Contributions paid to defined contribution schemes	14,968	44,631
	<u>568,092</u>	<u>732,725</u>

6 Operating (loss) / profit

	2021	2020
	£	£
This is stated after charging / (crediting):		
During the year, the Company obtained the following services from the Company's auditors:		
– Audit of Company's financial statements	54,510	34,643
Loss on disposal of property, plant and equipment	57,401	9,305
Loss on disposal of intangible assets	302	-
Gain on exchange from trading activities	(21,194)	(275,757)
Loss allowance on trade receivables	577,076	969,810
Loss allowance on contract assets	(10,912)	8,418
Impairment of trade receivables	-	45,602
Amortisation of intangible assets	32,505	65,085
Depreciation of property, plant and equipment	1,509,128	1,848,050
Depreciation of right-of-use assets	<u>1,062,676</u>	<u>1,217,805</u>

7 Net finance costs

	2021	2020
	£	£
Lease liabilities	-	43,310
Other finance costs	93	48
Total finance costs	<u>93</u>	<u>43,358</u>
Net finance costs	<u>93</u>	<u>43,358</u>

8 Income tax (credit) / charge

Current and deferred income tax is recognised in the income statement for the year except where the taxation arises as a result of a transaction or event that is recognised in other comprehensive income or directly in equity. Income tax arising on transactions or events recognised in other comprehensive income or directly in equity is charged or credited to other comprehensive income or directly to equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

(a) Analysis of total income tax (credit) / charge

	2021	2020
	£	£
Current income tax		
– Non-UK: current income tax on profits for the year	101,625	166,611
– Non-UK: adjustment in respect of prior years	12,239	5,400
Total current income tax	<u>113,864</u>	<u>172,011</u>
Deferred income tax (note 14)		
– Origination and reversal of temporary differences	(296,324)	3,759,014
– Effect of changes in tax rates	134,569	-
– (Over) / under provision of deferred income tax in respect of prior years	(4,328,475)	1,035,341
Total deferred income tax	<u>(4,490,230)</u>	<u>4,794,355</u>
Total income tax (credit) / charge	<u>(4,376,366)</u>	<u>4,966,366</u>

(b) Factors affecting the total income tax (credit) / charge for the year

The tax assessed for the year is lower (2020: higher) than the amount computed at the standard rate of corporation tax in the UK 19% (2020: 19%).

The differences are explained below:

	2021	2020
	£	£
(Loss) / profit before income tax	<u>(376,364)</u>	<u>7,602,278</u>
(Loss) / profit before income tax multiplied by the standard rate of corporation tax in the UK	(71,509)	1,444,433
Effects of:		
Group relief	546,239	1,562,784
Expenses not deductible for tax purposes	25,714	298,996
Impact of non-UK tax	(695,142)	619,412
Remeasurement of deferred income tax - change in tax rates	134,569	-
Adjustment in respect of prior years	(4,316,237)	1,040,741
Total income tax (credit) / charge	<u>(4,376,366)</u>	<u>4,966,366</u>

(c) Factors affecting current and future income tax charges

The rate of UK corporation tax reflected in these financial statements is 19% (2020: 19%).

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted in September 2016).

For the year ending 31 March 2021 a local tax rate of 27.4% (2020: 28%) has been used to calculate deferred income tax assets and liabilities.

9 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost comprises the purchase price after discounts plus all directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Leasehold improvements	Duration of the lease
Furniture, fittings & IT hardware	3 - 10 years

	Leasehold improvements	Furniture, fittings & IT hardware	Total
	£	£	£
Cost			
Balance at 1 April 2020	2,139,439	7,545,665	9,685,104
Additions	-	280,555	280,555
Disposals	(2,014,078)	(1,036,641)	(3,050,719)
Adjustment for exchange differences	(125,361)	(734,304)	(859,665)
Balance at 31 March 2021	-	6,055,275	6,055,275
Accumulated depreciation			
Balance at 1 April 2020	2,098,989	4,286,354	6,385,343
Charge for the year	36,089	1,473,039	1,509,128
Disposals	(2,012,086)	(981,232)	(2,993,318)
Adjustment for exchange differences	(122,992)	(459,532)	(582,524)
Balance at 31 March 2021	-	4,318,629	4,318,629
Net book value at 31 March 2021	-	1,736,646	1,736,646
Net book value at 31 March 2020	40,450	3,259,311	3,299,761

10 Intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight-line method to allocate the cost of the software over its useful economic life of between 2 and 5 years. Computer software is stated at cost less accumulated amortisation.

	Computer software £
Cost	
Balance at 1 April 2020	791,100
Additions	2,658
Disposals	(109,237)
Adjustment for exchange differences	(75,729)
Balance at 31 March 2021	<u>608,792</u>
Accumulated amortisation	
Balance at 1 April 2020	716,405
Charge for the year	32,505
Disposals	(108,934)
Adjustment for exchange differences	(69,504)
Balance at 31 March 2021	<u>570,472</u>
Net book value at 31 March 2021	<u>38,320</u>
Net book value at 31 March 2020	74,695

11 Trade and other receivables

	2021	2020
	£	£
Trade receivables - net	19,388,637	28,640,382
Contract assets - net	6,618,942	10,793,894
Amounts due from Arup Group undertakings	17,523,671	17,440,389
Non-UK corporation tax receivable	290,705	324,284
Other receivables	64,966	832,157
Prepayments and accrued income	42,783	249,149
	<u>43,929,704</u>	<u>58,280,255</u>

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

Trade receivables	2021	2020
	£	£
Trade receivables	22,207,179	31,165,820
Loss allowance	(2,818,542)	(2,525,438)
	<u>19,388,637</u>	<u>28,640,382</u>

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised at fair value.

Contract assets	2021	2020
	£	£
Contract assets	6,648,784	10,838,714
Loss allowance	(29,842)	(44,820)
	<u>6,618,942</u>	<u>10,793,894</u>

Contract assets represent unbilled revenue on contracts. Generally, at the balance sheet date the unbilled revenue has not been invoiced due to a payment schedule being in place.

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Amounts due from Arup Group undertakings

Amounts due from Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8% (2020: 1-10.25%).

The Company has assessed the ability of Arup Group companies to meet their inter-group liabilities. Based on this review the expected credit losses of amounts due from Arup Group undertakings is deemed to be nil (2020: nil).

Pre-contract costs

The Company accounts for all pre-contract costs in accordance with IFRS 15. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses, unless they meet the definition of a fulfilment cost.

12 Trade and other payables

	2021	2020
	£	£
Contract liabilities	14,229,564	22,489,052
Amounts owed to Arup Group undertakings	14,782,196	14,067,028
Accrued expenses	5,232,115	13,686,874
Other payables	1,247,532	556,060
Lease liabilities	-	1,350,576
	<u>35,491,407</u>	<u>52,149,590</u>

The directors consider that the carrying value of trade and other payables approximates to their fair value.

Contract liabilities

Contract liabilities represent revenue on contracts billed in advance of performing the related services.

Amounts owed to Arup Group undertakings

Amounts owed to Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8% (2020: 1-10.25%).

13 Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the balance sheet

	2021	2020
	£	£
Right-of-use assets		
Buildings	-	1,128,820
	<u>-</u>	<u>1,128,820</u>
Lease liabilities		
Current	-	1,350,576
	<u>-</u>	<u>1,350,576</u>

Additions to the right-of-use assets during the financial year to 31 March 2021 was nil (2020: nil).

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021	2020
	£	£
Depreciation charge of right-of-use assets		
Buildings	1,062,676	1,217,805
	<u>1,062,676</u>	<u>1,217,805</u>
Interest expense (included in finance costs)	-	43,310
Expense relating to short-term leases (included in communications and other overheads)	49,755	472,206
Expense relating to leases of low-value assets (included in communications and other overheads)	218,053	-
	<u>218,053</u>	<u>-</u>

The total cash outflow for leases in the year ended 31 March 2021 was £1,271,438 (2020: £1,177,388).

(iii) The Company's leasing activities and how these are accounted for

The Company's only office lease expired in the year ending 31 March 2021. Office space for the staff is leased by another Arup Group company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

14 Deferred income tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxed assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The offset amounts are as follows:

	2021	2020
	£	£
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	1,700,908	2,637,723
	<u>1,700,908</u>	<u>2,637,723</u>
Deferred income tax liabilities		
– deferred income tax liabilities to be recovered after more than 12 months	(120,443)	(5,647,598)
	<u>(120,443)</u>	<u>(5,647,598)</u>
Deferred income tax assets / (liabilities) (net)	<u>1,580,465</u>	<u>(3,009,875)</u>

The gross movement on the deferred income tax account is as follows:

	2021	2020
	£	£
Balance at the beginning of the financial year	(3,009,875)	1,818,458
Over / (under) provision of deferred income tax in respect of prior years	4,193,906	(1,035,341)
Deferred income tax credited / (charged) to the income statement	296,324	(3,759,014)
Adjustment for exchange differences	100,110	(33,978)
Balance at the end of the financial year	<u>1,580,465</u>	<u>(3,009,875)</u>

Deferred income tax liabilities	Accelerated tax depreciation	Temporary differences on leases	Other	Total
	£	£	£	£
At 1 April 2019	-	-	658,082	658,082
Charged to the income statement	3,930,184	306,968	595,477	4,832,629
Adjustment for exchange differences	105,463	9,101	42,323	156,887
At 31 March 2020	<u>4,035,647</u>	<u>316,069</u>	<u>1,295,882</u>	<u>5,647,598</u>
Credited to the income statement	(4,660,972)	(316,069)	(232,566)	(5,209,607)
Adjustment for exchange differences	(196,803)	-	(120,745)	(317,548)
At 31 March 2021	<u>(822,128)</u>	<u>-</u>	<u>942,571</u>	<u>120,443</u>

Deferred income tax assets	Unutilised tax depreciation	Provisions	Temporary differences on leases	Other	Total
	£	£	£	£	£
At 1 April 2019	208,269	1,211,342	-	1,056,929	2,476,540
(Charged) / credited to the income statement	(208,269)	509,885	346,301	(609,643)	38,274
Adjustment for exchange differences	-	71,353	31,860	19,696	122,909
At 31 March 2020	<u>-</u>	<u>1,792,580</u>	<u>378,161</u>	<u>466,982</u>	<u>2,637,723</u>
(Charged) / credited to the income statement	-	(1,614,934)	(374,523)	1,270,080	(719,377)
Adjustment for exchange differences	-	(108,379)	(3,638)	(105,421)	(217,438)
At 31 March 2021	<u>-</u>	<u>69,267</u>	<u>-</u>	<u>1,631,641</u>	<u>1,700,908</u>

15 Share capital

	2021	2020
	£	£
Issued, called up and fully paid:		
1,000,000 (2020: 1,000,000) ordinary shares of £1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

16 Contingent liabilities

As a part of the ordinary business activities of the Company, claims may arise in relation to work undertaken by the Company.

The Arup Group operates an internal arrangement akin to a professional indemnity insurance 'club' to co-ordinate the professional indemnity insurance arrangements of all entities in the Arup Group and charges each entity an annual charge to cover its share of the costs of the external professional indemnity insurance cover and the liability for any deductible applying to claims made against that insurance policy.

At the end of any financial year the costs charged to an individual entity is fixed at the annual charge for that year. The individual entities have no further liabilities for claims notified unless they exceed the external insurance cover.

The Company is one of several Arup Group companies that act as a guarantor for the Arup Group's banking facility. The Company does not expect this to be called upon.

17 Related parties

The following transactions were carried out with related parties that are not 100% owned by the Arup Group:

	2021			2020		
	Revenue	Expenses	Receivable	Revenue	Expenses	(Payable) / receivable
	£	£	£	£	£	£
Ove Arup & Partners P.C.	1,058,437	4,609,036	1,073,216	2,337,526	5,120,567	(12,990,052)
Arup (Pty) Ltd	-	-	-	-	-	5,213
AAC, Inc.	-	-	-	-	9,968	-
Arup Jururunding Sdn. Bhd	922,251	3,178	897,021	-	-	-

18 Controlling party

The immediate parent undertaking of Arup North America Limited is Arup Americas Inc., a company incorporated in the United States of America.

Arup Group Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 March 2021. The consolidated financial statements of Arup Group Limited are publicly available at 8 Fitzroy Street, London, W1T 4BJ, United Kingdom.

The parent undertakings and controlling parties are Ove Arup Partnership Employee Trust, Ove Arup Partnership Charitable Trust and The Arup Service Trust. These are the owners of Arup Group Limited. The ultimate controlling party is Ove Arup Partnership Charitable Trust.

The capital of Arup Group Limited is divided into equity shares, which are held in trust for the benefit of the employees (past and present) of the Arup Group and voting shares that are held by Ove Arup Partnership Charitable Trust.

The capital of Arup Group Limited is divided into equity shares, which are held in trust for the benefit of the employees (past and present) of the Group and voting shares that are held by Ove Arup Partnership Charitable Trust.

19 Dividends

The directors have on 15 October 2021 declared a dividend payment of £4 per share, amounting to a total dividend of £4,000,000 for the year ended 31 March 2021 (2020: nil). No dividend was paid in the year ended 31 March 2021 (2020: £12 per share, amounting to a total dividend of £12,000,000).